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18 September 1984

Yugoslavia

[redacted] the International 25X1
Coordinating Committee of commercial bank creditors (ICC) told
Yugoslav officials that it is willing to begin discussions in
late September on refinancing 1985 obligations provided Belgrade
reports overdue balance-of-payments data by 19 September. Some
ICC members predict the ICC will offer Yugoslavia a lower
interest rate than in previous agreements, but they do not
believe Yugoslavia's economic performance warrants interest rates
as concessionary as those recently granted Mexico. The ICC is
still willing to consider a multiyear rescheduling, but only if
Belgrade agrees to IMF involvement in 1985 stabilization policies
and to larger principal repayments each year and if Western
government creditors approve similar terms.

[redacted]

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Poland

[redacted] last week's Paris Club meeting with the Poles produced agreement to begin negotiations on rescheduling \$11 billion owed to government creditors in 1982-84. All creditors, including the US, were satisfied that Warsaw has met or will soon meet the conditions established for resumption of rescheduling talks--payment of unrescheduled debt from 1981 and 20 percent of the overdue interest on the 1981 rescheduling agreement. Contingent upon final confirmation of the required payments, the creditors agreed to begin discussion of rescheduling terms on 24 October. [redacted]

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In preparation for the October meeting, the creditors pressed the Poles to set more ambitious targets for the hard currency trade and current account surpluses for 1985 and to maintain the present deficit with soft currency countries. The Paris Club chairman argued that Warsaw should take the interests of its foreign creditors into account. Polish Finance Minister Karcz responded that the regime has already taken account of the creditors' interests and that there is no more room to give. The Poles were instructed to revise and update their earlier balance-of-payments projections and to report on their plans for economic reform before the next Paris Club session. [redacted]

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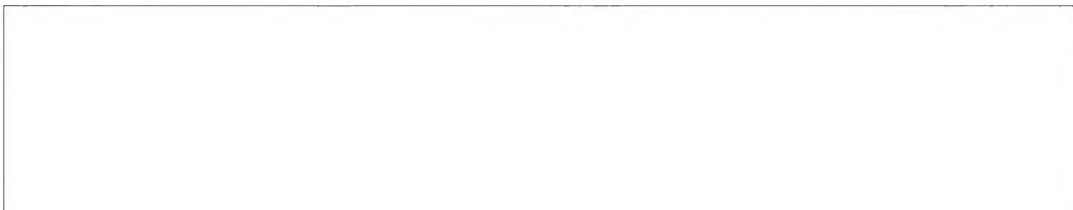
[redacted] Poland's agreement rescheduling 1984-87 obligations to commercial banks went into force on 24 August even though the banks failed to raise the full amount of new credits promised Warsaw. The final amount of new money reached only \$625 million--\$20 million less than the banks

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agreed to raise--because a major Argentine bank and several US regional banks refused to contribute. The Poles did not explicitly accept the smaller amount, but have made payments due under the agreement. The banks interpret this as tacit approval of the rescheduling pact and disbursed the first tranche of new credits in early September.

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